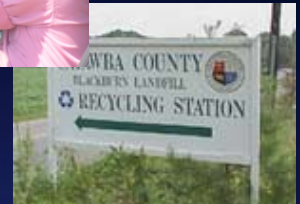
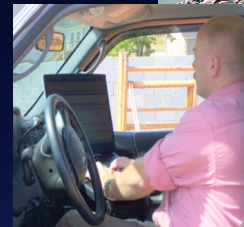
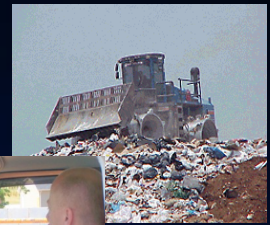


2008 Annual Report

Financial Highlights



the spirit

keeping



since 1842



CATAWBA COUNTY,
NORTH CAROLINA

For the Fiscal Year Ended

June 30, 2008



Citizens of Catawba County:

We are proud to present to you, Catawba County Financial Highlights for fiscal year 2007-2008.

In today's complex world of governmental financial reporting, analyzing financial statements can be a challenge—especially for those without accounting backgrounds. This report was designed to address that issue by providing a recap of your County's finances in an easy to read format.

The financial statements used in this report are simplified and condensed to reflect financial information regarding Catawba County's government-wide information. The County's government-wide financial statements provide information on revenues, expenses, and net assets of Catawba County for the fiscal year ending June 30, 2008.

Most of the information in this report is drawn from the financial information appearing in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. The CAFR is a more detailed and complete financial presentation prepared in accordance with Generally Accepted Accounting Principles (GAAP) and was audited by the County's independent external auditors. While the financial data in this report conforms with GAAP, the statistical, economic and demographic data are taken from various sources and are not necessarily GAAP based. The financial information for component units can be found in the CAFR, available at Catawba County public libraries and online at www.catawbacountync.gov/depts/finance/.

If you have any questions, please contact the Finance Director at 828.465.8210, or write to: Finance Director, Catawba County, P.O. Box 389, Newton, NC 28658.

Board of Commissioners

Katherine W. "Kitty" Barnes, *Chair*
Lynn M. Lail, *Vice Chair*
Barbara G. Beatty
Glenn E. Barger
Dan A. Hunsucker

County Manager

J. Thomas Lundy

Finance Director

Rodney N. Miller

Condensed Financial Statement

The consolidated Financial Statements are presented in conformity with generally accepted accounting practices (GAAP). For a copy of the full 2008 Comprehensive Annual Financial Report including audited Financial Statements, which includes more detailed information, please contact Catawba County Finance at 828.465.8210 or visit www.catawbacountync.gov



COUNTY PROFILE



Overview

Located in a peaceful valley just east of the Blue Ridge Mountains, Catawba County is a land of scenic beauty, diverse cultures, and thriving industry. Three beautiful lakes are located within its 414 square miles, and the Catawba River winds along its northern and eastern border.

Catawba County was officially established on December 12, 1842 when Lincoln County was divided by an act of the North Carolina General Assembly. The County has eight cities and towns and a population of 155,452, ranking 15th out of 100 counties in North Carolina.

In 1937, Catawba County became the third county in the State to adopt the council-manager form of government. The Board of Commissioners is comprised of a five-member board elected at large on staggered terms in a countywide election. The Board of Commissioners is the policy-making and legislative authority for the County. It is responsible for adopting the annual budget, approving zoning and planning issues and other matters related to the health and welfare of the County.

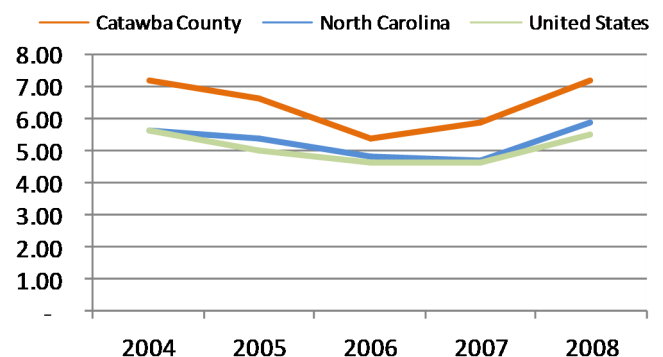
The County Manager is the Chief Executive Officer and is responsible for enforcement of laws and ordinances, preparation and administration of the annual budget, delivery of services, implementing policies, managing daily operations and appointment of department heads.

Local Economy

Economic activity in the region was mixed this past year, as evidenced by the Western North Carolina Economic Index, which tracks the level of economic activity in 25 counties, including Catawba. The Index reported a decrease in regional economic activity in the fourth quarter of 2007, no change in the first quarter of 2008 and an increase in the second quarter of 2008.

As evidence of an up-and-down local economy, the Hickory Metro region has seen its unemployment rate increase from 5.7% in October 2007 to 8.6% in July 2008. At June 30, 2008, the unemployment rate for Catawba County, one of four counties in the Hickory Metro region, was 7.2%.

Unemployment Rate 2004-2008

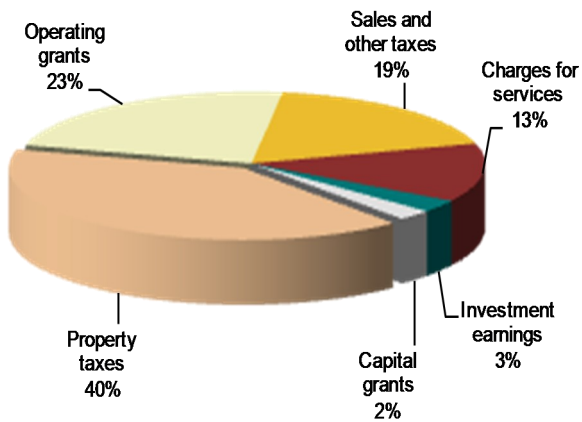


With large metropolitan areas in Florida, California and Nevada experiencing significant housing decreases and increasing foreclosure rates, the Charlotte area was one of the few metro areas nationally that saw modest gains in housing and avoided huge foreclosure rates. The regions' proximity to Charlotte has had a positive impact to the area's residential increase.

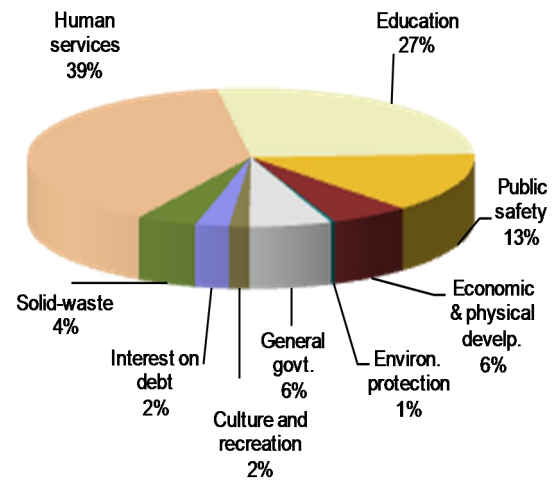
With the changing economic conditions, the County has diversified its economic base. ADEVCO Corporation plans for a \$10 million call center. Convergys Customer Management Group announced a \$4 million investment to create 446 new jobs. The center will provide technical support and customer service for Fortune 500 clients. Sutter Street, a division of Williams Sonoma, plans for a \$2.7 million investment to create 820 new jobs. Target Corporation is nearing completion of a \$90 million investment in a 1.5 million square foot distribution center.

Total FY2008 County Budget: \$251,295,544

2008 Revenues by Source



2008 Expenditures by Function



Where the Money Comes From:

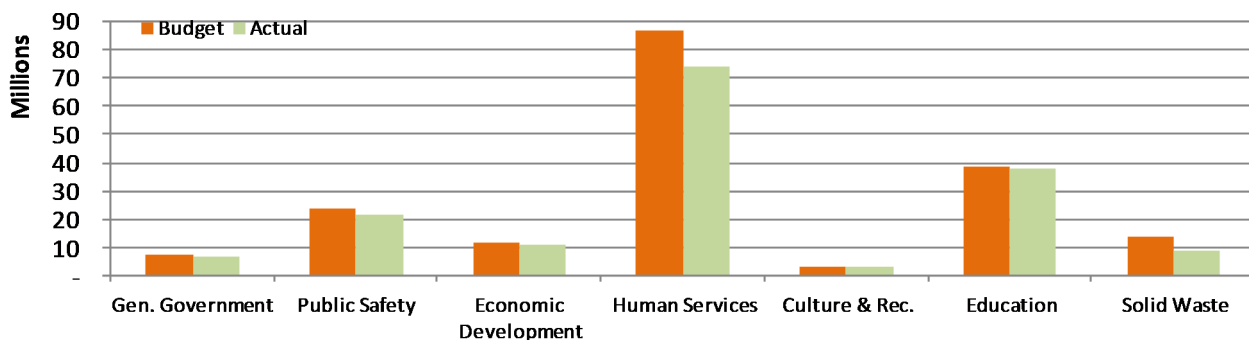
Property Taxes	82,048,071
Operating Grants	47,040,701
Sales and other Taxes	37,647,391
Charges for Services	33,503,877
Investment Earnings	6,648,042
Capital Grants	5,006,175

Where the Money Goes:

Human Services	74,150,353
Education	50,388,730
Public Safety	26,316,167
General Government	11,203,800
Economic & Physical Development	10,827,271
Solid Waste Management	8,172,432
Interest on Long-term Debt	4,584,583
Culture & Recreation	2,760,614
Environmental Protection	546,680



2008 County Departments Show Controlled Spending



GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets Primary Government

	2008	2007	Change
ASSETS:			
Cash and investments	\$ 119,425,323	\$ 107,941,101	\$ 11,484,222
Taxes receivable, net	3,162,690	2,739,840	422,850
Due from other governments	20,202,752	15,391,119	4,811,633
Notes receivable	721,092	682,346	38,746
Other receivables	4,314,651	3,848,556	466,095
Interest receivable	739,138	1,005,803	(266,665)
Inventories	411,233	319,516	91,717
Prepaid items	9,965	24,674	(14,709)
Deferred charges	661,233	756,833	(95,600)
Restricted cash and investment	28,568,703	7,384,606	21,184,097
Capital assets			
Depreciable assets, net	45,857,651	39,342,337	6,515,314
Nondepreciable assets	72,812,018	70,104,567	2,707,451
Net investment in joint venture	760,149	710,149	50,000
Total assets	<u>297,646,598</u>	<u>250,251,447</u>	<u>47,395,151</u>
LIABILITIES:			
Accounts payable and accrued liabilities	10,771,858	9,518,708	1,253,150
Unearned revenues	3,007,782	3,225,771	(217,989)
Long-term liabilities			
Due within one year	14,992,526	13,353,577	1,638,949
Due in more than one year	119,570,449	97,793,035	21,777,414
Total liabilities	<u>148,342,615</u>	<u>123,891,091</u>	<u>24,451,524</u>
NET ASSETS:			
Invested in capital assets, net of related debt	104,070,087	96,867,882	7,202,205
Restricted for:			
Public Safety	760,149	710,149	50,000
Register of Deeds	50,450	35,208	15,242
Unrestricted	44,423,297	28,747,117	15,676,180
Total net assets	<u>\$ 149,303,983</u>	<u>\$ 126,360,356</u>	<u>\$ 22,943,627</u>

Government-wide financial statements provide financial information about the County as a whole. These statements distinguish between two types: *governmental* and *business-type* activities. Governmental activities generally are financed through taxes and other general revenue sources while business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, an increase or decrease in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The County's total net assets increased by 18.16%, or \$22,943,627 for the fiscal year ended June 30, 2008. \$23,207,915 million of the increase in net assets was from governmental activities and (\$264,288) was from business-type activities. Below are the three components of net assets and their respective fiscal year-end balances:

Invested in capital assets, net of related debt, represents \$104,070,087 of the County's total net assets for fiscal year 2008. This consists of land, buildings, improvements other than buildings, machinery, equipment, vehicles and construction in progress, net of accumulated depreciation, and reduced by any debt attributable to the acquisition, construction, or improvement of the assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets account for \$810,599 of the County's total net assets for fiscal year 2008. This component of net assets represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets account for \$44,423,297 of the County's total net assets for fiscal year 2008. This component of the County's total net assets may be used to meet the County's ongoing obligations to citizens and creditors. Of the unrestricted net assets for fiscal year 2008, \$35,727,062 is from governmental activities and \$8,696,235 is from business-type activities.



CAPITAL ASSETS & LONG-TERM LIABILITIES

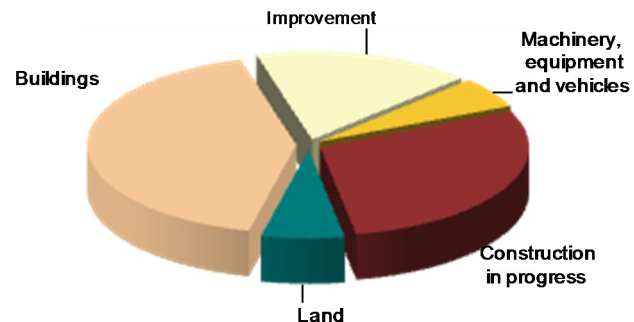
Capital Assets

As of June 30, 2008, the County's capital assets for both its governmental and business-type activities amounted to \$45,857,651 depreciable assets (net of depreciation) and \$72,812,018 nondepreciable assets. The capital assets include land, buildings, improvements other than buildings, machinery, equipment, vehicles and construction in progress.

Major projects in progress or completed in fiscal year 2008 included the following:

- Jail expansion—\$18.1 million
- Voting equipment—\$1.1 million
- Virtual infrastructures—\$1 million
- Voice over Internet protocol—\$.8 million
- SECC Water Phase 1—\$2.7 million
- SECC Water Phase 2&3—\$3.9 million
- SECC Wastewater—\$1.3 million
- Landfill Subtitle D—\$4.5 million
- Regional Biosolids—\$.5 million

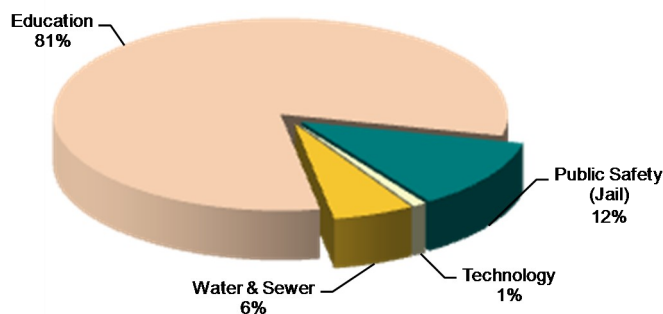
Capital Assets, net of depreciation 2008



Long-term Liabilities

As of June 30, 2008, the County's long-term liabilities for its governmental and business-type activities amounted to \$134,562,975, which includes long-term debt, compensated absences, other post-employment benefits and future landfill closure costs. Long-term debt of \$121,303,793 was incurred by the County and financed by bonds, installment purchases, certificates of participation and capitalized leases. Major components of the outstanding debt obligations are Education (81%), Jail Expansion (12%), Water and Sewer Projects (6%), and Technology (1%).

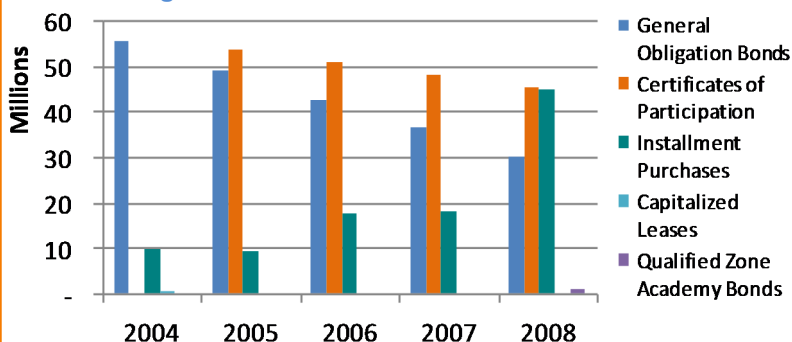
Uses of Outstanding Debt 2008



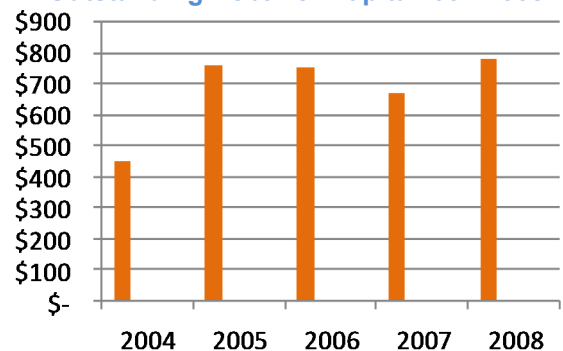
Credit Ratings Maintained by the County

Moody's Investors Service, Inc.	Standards & Poors Corp.
Aa2	AA

Outstanding Debt 2004-2008



Outstanding Debt Per Capita 2004-2008



GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Activities Primary Government

	2008	2007	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 33,503,877	\$ 30,296,677	\$ 3,207,200
Operating grants	47,040,701	43,838,248	3,202,453
Capital grants	5,006,175	628,351	4,377,824
General revenues:			
Property taxes	82,048,071	68,378,012	13,670,059
Sales and other taxes	37,647,391	36,117,640	1,529,751
Investment earnings	6,648,042	6,938,678	(290,636)
Total revenues	211,894,257	186,197,606	25,696,651
EXPENSES:			
General government	11,203,800	9,001,933	2,201,867
Public safety	26,316,167	22,897,052	3,419,115
Environmental protection	546,680	504,416	42,264
Economic and physical development	10,827,271	12,054,976	(1,227,705)
Human services	74,150,353	66,083,707	8,066,646
Cultural and recreation	2,760,614	2,771,008	(10,394)
Education	50,388,730	52,216,062	(1,827,332)
Interest on long-term debt	4,584,583	4,909,742	(325,159)
Solid waste management	8,172,432	5,260,776	2,911,656
Total expense	188,950,630	175,699,672	13,250,958
Change in net assets	22,943,627	10,497,934	12,445,693
Net Assets, Beginning of Year	126,360,356	115,862,422	10,497,934
Net Assets, End of Year	\$ 149,303,983	\$ 126,360,356	\$ 22,943,627

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (such as revenues pertaining to uncollected taxes or expenses pertaining to earned but unused vacation and sick leave).

The most significant variances in revenues on the Statement of Activities are: \$4,377,824 increase in capital grants and contributions due mostly to State and Federal sources; \$13,670,059 increase in property tax and \$(290,636) decrease in investment earnings.

The most significant variances in expenses on the Statement of Activities are: \$3,419,115 increase in public safety due to increased staffing and operating expenses for the new jail expansion; \$8,066,646 increase in human services; and \$2,911,656 increase in expenses to operate the solid-waste facility.

REVENUE SOURCES

Revenue Sources

The statement of activities reports revenue by source using government-wide reporting standards. To assist the reader in understanding what makes up the various sources referenced, we have provided the following detail listing.

Program Revenues

Charges for Services

Assessment and tax collection fees, auditing and accounting fees, communication services, legal services, planning and engineering services, animal control fees, law enforcement services, recording fees, health fees, mental health services, business licenses, construction permits, zoning permits, other licenses and permits, fines and forfeitures, penalties and costs on delinquent taxes, tax garnishment fees and charges, election fees, cable franchise fees, parks fees, library fees.

Operating Grants

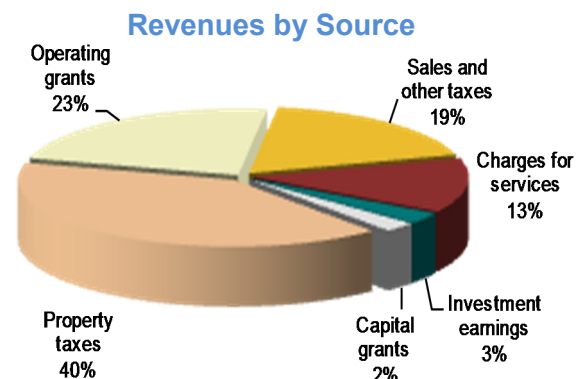
State, federal, other government and private contributions to fund specific programs.

Capital Grants

State, federal, other government and private contributions to fund capital purchases for specific programs.

General Revenues

Property taxes, sales and use taxes as well as other county levied taxes, investment income and other miscellaneous revenues.



EXPENSES BY FUNCTION

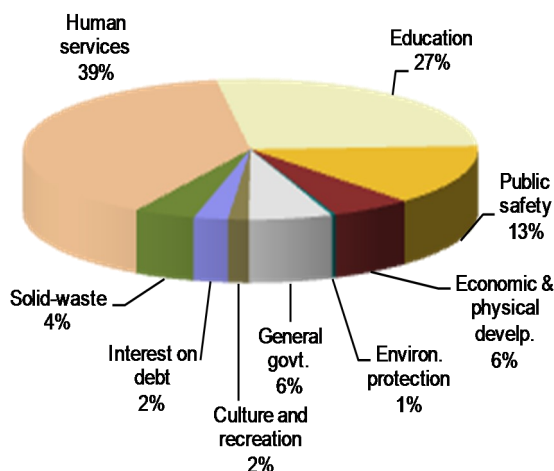
Expenses by Function

The following list provides details to define what County departments are included in each of the functional categories listed in the statement of activities.

Human Services

Medical Examiner, Mental Health, Public Health and Social Services.

Expenses by Function



Education

Catawba County Schools, Newton-Conover Schools, Hickory City Schools and Catawba Valley Community College.

Public Safety

Sheriff, Emergency Services, Fire/Rescue Services, Veterans Services, Animal Control, E911 Communication Center.

Economic Development & Planning

Planning & Zoning, County Parks, Utilities & Engineering and Facilities.

General Government

County Manager, Board of Commissioners, Legal Services, Budget, Tax Assessor, Tax Collector, Board of Elections, Personnel, Wellness, Register of Deeds, Finance, Purchasing, Clerk of Court and Self Insurance.

Solid Waste Management

Recycling, Sanitary Landfill Convenience Centers, Household Hazardous Waste and Blackburn Landfill Methane Recovery.

Culture and Recreation

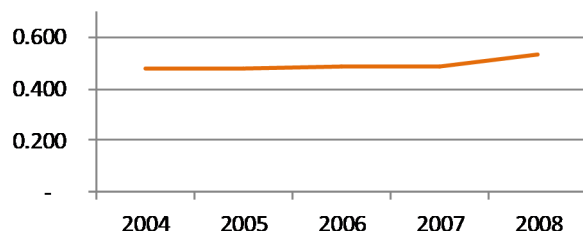
County Library and Arts Administration.

Environmental Protection

Cooperative Extension, Soil & Water Conservation and Forest Ranger.

Property Taxes

Property Tax Rate 2004-2008



2008
Tax Rate
0.535

Catawba County Principal Taxpayers

1. Duke Energy Corporation
2. CommScope, Inc.
3. Getrag Gears of North America
4. Frye Regional Medical Center
5. Corning Cable Systems
6. Hickory Springs Mfg. Co., Inc.
7. Draka Comteq Americas, Inc.
8. Valley Hills Mall, LLC
9. Shuford Mills, Inc.
10. Central Telephone Co.

Where did your property tax dollar go in fiscal year 2008?

Human Services
39 cents

Education
27 cents

Public Safety
13 cents

Economic Development
6 cents

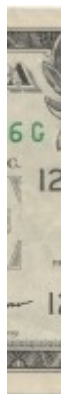
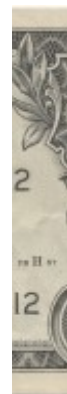
General Government
6 cents

Solid-Waste
4 cents

Culture & Recreation
2 cents

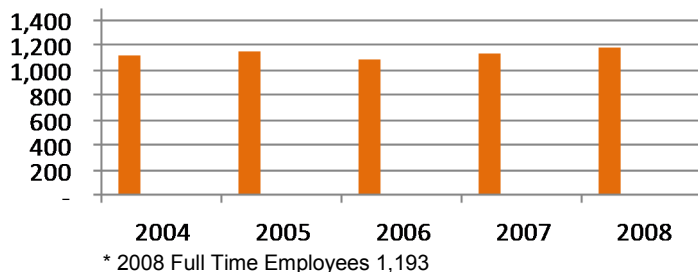
Interest on Debt
2 cents

Environmental
1 cent

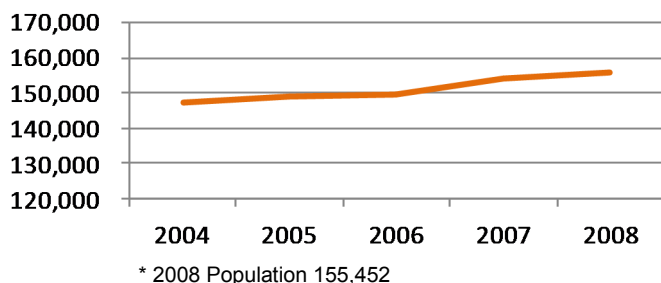


DEMOGRAPHICS

Full Time County Employees 2004-2008



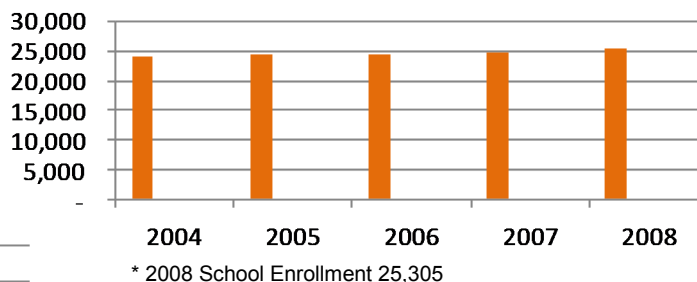
Catawba County Population Growth 2004-2008



Catawba County Principal Employers

1. Catawba County Schools
2. CommScope, Inc.
3. Frye Regional Medical Center
4. Catawba Valley Medical Center
5. Catawba County Government
6. Hickory Springs Manufacturing
7. CV Industries, Inc.
8. Sherrill Furniture Company
9. Corning Cable Systems
10. Hdm Furniture Industries

School Enrollment 2004-2008



CATAWBA COUNTY AT WORK

General Government:

Marriage licenses issued 1,181
Registered voters 99,117

Public Safety:

Number of 911 dispatch/calls 115,000
Sheriff Dept. offenses reported 5,312

Environmental Protection:

Cooperative Ext. contacts 66,324

Economic & Physical Development:

Commercial permits issued 721
Residential permits issued 1,497
Number of park visitors 75,797

Culture & Recreation:

Total library circulation 681,796

Human Services:

Children benefiting from child support services . . . 7,337
Public health clients served 21,634
Restaurant inspections 1,443

Education:

Public school enrollment K-12 25,305

Solid-Waste Management:

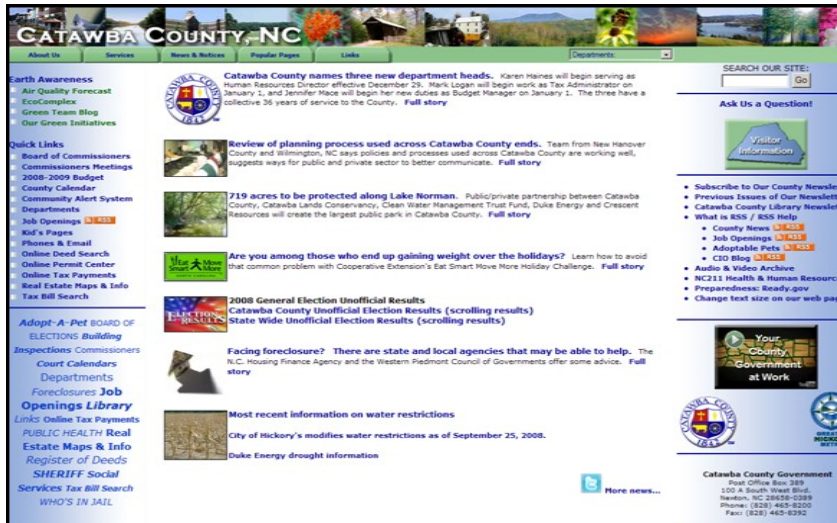
Tons buried—MSW 151,007
Tons buried—C&D 38,745
Tons recycled 28,932

INTERNET RESOURCES

Visit Catawba County's Official Website

www.catawbacountync.gov

From there you can find more information about:



- Board Agendas
- Commissioners Meetings
- County Agencies and Departments
- County Employment
- Online Deed Search
- Sign up for the Community Alert System
- Sign up for RSS feeds
- Subscribe to the County Newsletter
- Find the County on Facebook
- Follow Catawba County on Twitter
- Search the County library catalog



PREPARED BY CATAWBA COUNTY
FINANCE DEPARTMENT

Rodney N. Miller FINANCE DIRECTOR